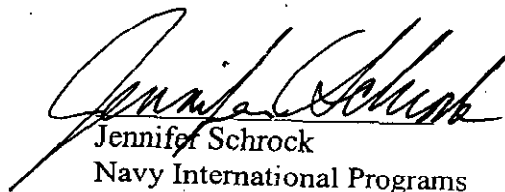


SUPPLEMENT
BETWEEN THE
DEPARTMENT OF DEFENSE
OF THE UNITED STATES OF AMERICA
AND THE
DEPARTMENT OF DEFENCE
OF AUSTRALIA
UNDER THE MEMORANDUM OF UNDERSTANDING
CONCERNING THE COOPERATIVE FRAMEWORK FOR
SYSTEM DEVELOPMENT AND DEMONSTRATION OF THE
JOINT STRIKE FIGHTER

Certified to be a true copy:



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Navy IPO 01C4

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INTRODUCTION

The Department of Defense of the United States of America (U.S. DoD) and the Department of Defence of Australia (AS DOD), hereinafter referred to as the "Participants":

Recognizing that this Supplement is subject to the Memorandum of Understanding among the Department of Defence of Australia, the Minister of National Defence of Canada, the Ministry of Defence of Denmark, the Ministry of Defence of the Republic of Italy, the State Secretary of Defence of the Kingdom of The Netherlands, the Ministry of Defence of the Kingdom of Norway, the Undersecretariat for Defense Industries on behalf of the Minister of National Defense of the Government of the Republic of Turkey, the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland, and the Secretary of Defense on behalf of the Department of Defense of the United States of America concerning the Cooperative Framework for System Development and Demonstration of the Joint Strike Fighter (JSF SDD Framework MOU) and any amendments thereto;

Desiring to improve their mutual conventional defense capabilities through the joint development, sharing and application of emerging technology through full cooperation on technology release throughout the System Development and Demonstration (SDD) Phase of the JSF Program and any cooperation in subsequent phases;

Having regard to the need of the U.S. Air Force to replace the F-16 and A-10 aircraft, and the need of the Royal Australian Air Force (RAAF) for a new air combat capability to replace their current inventory of F-18 and F-111 aircraft;

Recognizing the close relationship between the Participants, and the desire to further develop defense technology and industrial relationships between Australia and the United States and the importance of reducing barriers in the two-way relationship, to the benefit of the ongoing security of both nations;

Desiring the close involvement of their industries and research and development organizations in the JSF Program, and recognizing that this Project will enable the Participants to inform those entities of potential JSF Program participation and subsequent support opportunities, and noting the Participants' respective industrial objectives for involvement in the SDD Phase;

SECTION I

DEFINITIONS OF TERMS AND ABBREVIATIONS

The Participants have jointly decided upon the following definitions for terms used in this Supplement.

Deeper Maintenance	Maintenance activities beyond the organizational level in the JSF Autonomic Logistics System.
JSF Cooperative Project Personnel	AS DOD military members or civilian employees assigned to the JSF Program Office or U.S. DoD field activities who perform managerial, engineering, technical, administrative, Contracting, logistics, financial, planning or other functions in furtherance of the Project.
JSF Senior Warfighter Group	The operational community advisory group, chartered to support the JSF Program Office in the SDD Phase, that consists of representatives from the services of the JSF SDD Framework MOU Participants and which meets on an ad hoc basis.
National Disclosure Policy	The formal set of policies governing the release of classified military information to foreign governments and international organizations, which are reflected in procedures that are in the form of specific disclosure criteria and limitations, definition of terms, release arrangements, and other guidance required by governmental departments and agencies having occasion to make such releases.

SECTION II

OBJECTIVES AND SCOPE

2.1. The objective of this Supplement is to establish the detailed provisions concerning the responsibilities and benefits of the Participants under the Project in accordance with the JSF SDD Framework MOU.

2.2. The Participants intend to promote industrial and technological cooperation between the United States and Australia during the JSF SDD Phase thereby assisting both to achieve their respective industrial objectives.

2.3. During the JSF SDD phase, the Participants will design, develop, and qualify the JSF Air System which fulfills the joint Operational Requirements Document (ORD) dated 13 March 2000, and any changes thereto, and is as common as possible to the U.S. JSF Air System within U.S. National Disclosure Policies. The Participants intend to enhance interoperability between the U.S. DoD and the AS DOD through JSF SDD Phase cooperation and any cooperation in subsequent phases.

2.4. The U.S. DoD will use its best efforts to provide the AS DOD with the opportunity to obtain equipment and systems produced under U.S. DoD programs other than the JSF Program, to the extent that such equipment and systems are needed or useful to meet the JSF Air System performance requirements specified in the joint ORD and further detailed in the Contract Specification.

2.5. The JSF Air System design will allow for in-country reprogramming capability as specified in the joint ORD and Joint Model Specification, and as implemented in the Contract Specification.

2.6. The JSF Program threshold and objective requirement for Unit Recurring Flyaway Cost is contained in the joint ORD, paragraph 4.1.1. The JSF Program Office October 2001 estimate of the CTOL Unit Recurring Flyaway Cost is \$33.1 million (U.S. fiscal year 1994 base year dollars).

2.7. The U.S. DoD and AS DOD may consider pursuing future cooperation in JSF developmental upgrades, production, and support under separate arrangements, or amendments to the JSF SDD Framework MOU and this Supplement.

SECTION III

MANAGEMENT (ORGANIZATION AND RESPONSIBILITY)

3.1. The JSF SDD Framework MOU established the Executive Committee (EC) and provided that the U.S. DoD EC representative will be the JSF Program Director (or successor in the event of reorganization). The AS DOD EC representative will be the Director General, New Air Combat Capability (or successor in the event of reorganization).

3.2. The JSF SDD Framework MOU also provided for plenary EC meetings. The U.S. DoD and the AS DOD EC representatives will hold semi-annual U.S. DoD-AS DOD-only meetings, if necessary, to address issues of concern; additional meetings will be held at the request of either representative, when appropriate, giving one month's notice to the other. The Participant hosting the Supplement-specific EC meeting will chair the meeting, unless otherwise mutually determined. In addition to the Supplement-specific EC responsibilities contained in paragraph 4.5 of the JSF SDD Framework MOU, the following EC responsibilities under this Supplement will require mutual determination:

3.2.1. Approving and maintaining oversight of the U.S. DoD-AS DOD JSF Program Office Integrated Project Team (IPT) Personnel Description Document (PDD).

3.2.2. Amending Annex A (Supplement Management Structure).

3.2.3. Approving changes to the Financial Management Procedures Document (FMPD).

3.3. The U.S. DoD and AS DOD EC representatives will also promptly apprise and consult on any bilateral matters that affect the Project and resolve any issues brought forth by the Director, JSF International Directorate (JSF/ID) and the AS DOD National Deputy.

3.4. In addition to the responsibilities related to the Supplement described in paragraph 4.7 of the JSF SDD Framework MOU, the Director, JSF/ID, will be responsible for:

3.4.1. Preparing, in conjunction with the AS DOD National Deputy, a U.S. DoD/AS DOD JSF Program Office IPT PDD for the approval of the U.S. DoD and AS DOD EC members.

3.4.2. Referring to the U.S. DoD and AS DOD EC members issues related to the Supplement that the Director, JSF/ID cannot resolve.

3.4.3. Accountability to the U.S. DoD and AS DOD EC members for timely release of Project Information furnished by the U.S. DoD.

3.5. The AS DOD will provide a National Deputy in accordance with Annex A (Supplement Management Structure), who will be initially assigned to the Air Vehicle IPT as a Coalition Warfare/C4I Support Officer within the JSF Program Office and U.S. DoD field activities. Specific AS DOD National Deputy responsibilities are identified in Section 3.6 below. Specific IPT responsibilities for AS DOD personnel will be identified in the U.S. DoD/AS DOD JSF Program Office IPT PDD. Additionally, Annex B (JSF Cooperative Project Personnel) establishes provisions for the general conduct of AS DOD personnel located in the JSF Program Office or U.S. DoD field activities. Annex A (Supplement Management Structure) depicts the management structure established for this Supplement.

3.6. In addition to assigned IPT responsibilities, the AS DOD National Deputy will be responsible for:

3.6.1. Supporting the Director, JSF/ID in the day-to-day administrative management of both the JSF SDD Framework MOU and this Supplement.

3.6.2. Providing day-to-day AS DOD representation within the JSF Program Office on all matters related to the Project to ensure effective AS DOD insight into the Project.

3.6.3. Assisting the JSF/ID in developing the FMPD, Project Security Instruction and Classification Guide, and IPT PDD.

3.6.4. Performing other tasks, as may be assigned by the Director, JSF/ID.

3.6.5. Serving as an observer in the change control and approval process for the Contract Specification.

3.7. AS DOD military personnel and AS government personnel not assigned to the JSF Program Office, and, as appropriate, employees of AS DOD's Contractors, may attend JSF Program Reviews, Engineering Technical Meetings, and other similar events, subject to the requirements of Section X (Visits to Establishments) of the JSF SDD Framework MOU and subject to the approval of the Director, JSF/ID and the AS DOD.

3.8. Representatives from the Participants' operational communities will participate in the JSF Senior Warfighter Group.

SECTION IV

FINANCIAL PROVISIONS

4.1. The AS DOD share of the Financial Cost Target of the Project, as identified in paragraph 5.2 of Section V (Financial Provisions) of the JSF SDD Framework MOU, is \$144 million Then Year U.S. Dollars. In no event will this AS DOD share be increased without the written consent of the AS DOD. The U.S. DoD share of the Financial Cost Target is established in Section V (Financial Provisions) of the JSF SDD Framework MOU.

4.2. The AS DOD non-financial contributions include the following:

4.2.1. AS DOD personnel assigned to the JSF Program Office or U.S. DoD field activities in accordance with Annex A (Supplement Management Structure).

4.2.2. Engineering and technical services and the use of Pacific Rim Coalition command and control-related items to support the design, development, integration, verification and systems engineering of the command, control, communication, computers, and intelligence (C4I) and interoperability aspects of the JSF Air System. The value of this AS DOD non-financial contribution is \$6 million Then Year U.S. dollars.

4.3. The AS DOD non-financial contributions may also include services provided in-kind by or for the AS DOD for the Project, as mutually determined by the Participants. Any such additional contributions will be reflected in an amendment to this Supplement. The Participants will mutually determine whether the AS DOD share of the Financial Cost Target, as reflected in paragraph 4.1 of this Section, will be decreased in the amended Supplement by the mutually determined value of the additional non-financial contributions.

4.4. Exclusive of paragraph 4.2.1, AS DOD financial and non-financial contributions, expressed in Then Year U.S. dollars, are reflected in Table 4-1 below:

Table 4-1:

FINANCIAL	NON-FINANCIAL	TOTAL
144 million	6 million	150 million

4.5. U.S. DoD research and development costs incurred for the Air System will not apply to any Air Systems that may be exported to the AS DOD pursuant to U.S. commercial export licenses in

accordance with any future cooperative production arrangements. On any future foreign military sale by the U.S. Government to the Australian Government of the Air System, the U.S. DoD will consider excluding from the price of the Air System all of the U.S. DoD research and development costs incurred for the Air System, provided that the AS DOD does not withdraw from the JSF SDD Framework MOU and this Supplement. In any event, the amount of the financial and non-financial contribution of the AS DOD to the Project will be excluded from the price of any Air System sold by the U.S. Government to the Australian Government.

4.6. The Participants recognize that pursuant to 12.7 of the JSF SDD Framework MOU, they will be given the opportunity to receive levies from sales or other transfers to Third Parties of equipment developed under that MOU in order to recoup their investment in the Project.

4.7. In furtherance of the provisions of paragraph 5.11 of Section V (Financial Provisions) of the JSF SDD Framework MOU, and upon mutual determination, the AS DOD auditors (including AS DOD cost investigators) or Australia national audit institution auditors may assist the U.S. DoD on any audit elements required to satisfactorily perform the audit. In addition, in the event that the AS DOD auditors or Australia national audit institution auditors need to obtain or to inspect specific Project financial data in order to fulfill their national obligations, the U.S. DoD will arrange for access to such specific financial data at mutually determined times and locations.

4.8. In the event external audits concerning the Project are conducted by the national audit institutions of the Participants' nations, such reports will be provided by the applicable Participant to the EC representative of the other Participant. The Director, JSF/ID, and the AS DOD National Deputy will apprise each other as soon as possible of external audits concerning the Project by the national audit institutions of the Participants' nations.

SECTION V

CONTRACTING PROVISIONS

5.1. The Participants recognize the importance to the Project of subcontracting competitions that are conducted fairly and provide best value. In order for the AS DOD to assure itself that subcontracting competitions comport with the foregoing principles, the U.S. DoD will provide the AS DOD with insight into subcontracting for the Project via IPT participation, attendance at Program Management Reviews, and access to the JSF Program Office electronic network.

5.2. The Participants recognize that in conducting full and open competitions for the Project, full consideration will be given to all qualified sources from the other Participant's country, to the extent consistent with the national laws, regulations, and policies of the Contracting Participant.

5.3. The U.S. DoD awarded cost plus award fee Contracts for performance of the JSF SDD Phase. The JSF PD implemented an award fee program that specifies the award fee criteria against which the prime Contractors are measured. The U.S. DoD will provide the AS DOD insight into the JSF award fee process and the opportunity to comment during the process. In the event a Contractor fails to meet any of the award fee criteria in a given period, the JSF PD will ensure the award fee will be reduced to the appropriate level.

5.4. The JSF PD will provide to the AS National Deputy reports received on Australian industries' participation in the JSF Program. Such reports may include issue dates for requests for information/proposals to be released, total number of subcontracts to be awarded, and the number and value of subcontracts awarded to Australian companies.

SECTION VI

JOINTLY ACQUIRED EQUIPMENT

6.1. In those instances in which the U.S. DoD elects to dispose of Jointly Acquired Equipment by transferring such equipment to another Participant in accordance with paragraph 7.6 of the JSF SDD Framework MOU, the U.S. DoD will offer that equipment to each of the Participants of the JSF SDD Framework MOU in order of the magnitude of their financial contributions to the Project. The U.S. DoD will consult with the AS DOD and the other JSF SDD Framework MOU Participants in order to achieve a distribution of this Jointly Acquired Equipment in proportion to the Participants' financial contributions.